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**USTR Barshefsky Reacts to EC Banana Decision**

FOR IMMEDIATE RELEASE

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Today, the Agriculture Council of the European Community (EC) reached agreement on changes to its banana regime that fail to bring the EC regulations regime into line with the EC's WTO commitments.

"We regret that despite our repeated requests for EC representatives to work with us on a new banana regime that is WTO-consistent and that allows vulnerable Caribbean countries to continue to export their bananas, the European Commission has declined to cooperate with us in developing an EC banana policy that would resolve this longstanding dispute," said Ambassador Barshefsky. "Instead, the Commission and now the Agriculture Council, has adopted an approach that would perpetuate WTO violations" and the discrimination against U.S. companies and Latin American countries that has been in place since 1993.

Ambassador Barshefsky said that "the United States will not hesitate to exercise its full rights under the WTO and take all available actions to protect U.S. interests. Our rights include WTO procedures allowing for withdrawal of concessions on EC goods and services." In 1995, USTR found EC banana policies cost U.S. companies hundreds of millions of dollars.

Background

The EC's record in the banana dispute is one of increased protectionism and discrimination against Latin America and U.S. interests. The EC converted growing and open banana markets in the majority of member States to a single closed market in mid-1993. The EC has ignored GATT/WTO rules -- refusing, in 1993 and again in 1994, to implement GATT panel reports against its banana policies.

The United States and four Latin American countries (Ecuador, Guatemala, Honduras, and Mexico) initiated panel proceedings under the WTO in April 1996. In May 1997, the panel circulated its report finding the EC regime to violate the GATT and the General Agreement on Trade in Services (GATS) on over a dozen counts. The WTO Appellate Body agreed on September 9, 1997, and the WTO Dispute Settlement Body adopted the reports on September 26

1997, recommending that the EC bring its measures into line with the recommendations and rulings of the two reports.

In late 1997 the EC explicitly agreed to implement all of the WTO recommendations and rulings. However, the proposal first put forward by the European Commission in January 1998, with minor modifications now endorsed by Agriculture Council regulations, fails to make any significant changes to bring the EC's regime in line with WTO provisions.